

Department of Social and Health Services

DP Code/Title: PL-WB HIPAA Standard Transactions

Agency Wide

There are 10 Programs in this DP

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

**Recommendation Summary Text:**

Program(s): 010 020 030 040 050 060 070 080 110 150

This package requests funding to implement the first Code of Federal Regulation (CFR) under administrative simplification: Standards for Electronic Transactions to comply with the Health Insurance Accountability and Portability Act (HIPAA).

**Fiscal Detail:**

**Operating Expenditures**

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
<b>Overall Funding</b>			
001-1 General Fund - Basic Account-State	1,888,000	1,246,000	3,134,000
001-2 General Fund - Basic Account-Federal	68,000	19,000	87,000
001-A General Fund - Basic Account-DSHS Fam Support/Chi	397,000	163,000	560,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	1,934,000	1,541,000	3,475,000
001-D General Fund - Basic Account-TANF (DSHS)	40,000	11,000	51,000
001-E General Fund - Basic Account-CCDF (DSHS)	37,000	11,000	48,000
<b>Total Cost</b>	<b>4,364,000</b>	<b>2,991,000</b>	<b>7,355,000</b>

**Staffing**

	<u>FY 1</u>	<u>FY 2</u>	<u>Annual Avg</u>
Agency FTEs	26.9	23.4	25.2

**Package Description:**

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HIPAA was signed into law August 1996. This reform covers health care fraud and abuse prevention, medical liability reform, and administrative simplifications. Administrative Simplification is being implemented in three rules. This package requests funding to be in compliance with rule one, standard electronic transactions and code sets by the implementation date of October 16, 2003.

Under this rule, all health care organizations (health plans, health care providers, and health care clearing houses) must standardize electronic transactions between organizations. Under this rule, the Department of Social and Health Services (DSHS) functions as both a health plan and a health care provider (Western State Hospital, Eastern State Hospital, and Child Study and Treatment Center).

The transactions named in this rule affect health care eligibility inquiry, enrollment, referrals, claims, payments, remittance advice, and claim status inquiry activities. DSHS performs all of these transactions in the day-to-day business. After October 16, 2003, all electronic transactions covered by the rule must be conducted in a standard fashion using new standard formats and code sets. These code sets will be regularly updated.

The intent of this rule is to increase the efficiency of processing health care financial transactions. All health care organizations, both public and private sector, are required to comply.

**Narrative Justification and Impact Statement**

*How contributes to strategic plan:*

Program(s): 010 020 030 040 050 060 070 080 110 150

This decision package meets the agency balanced scorecard goal of integrating and coordinating information systems.

*Performance Measure Detail*

Goal: 28Z Integrate and coordinate information systems

Incremental Changes

FY 1 FY 2

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**Outcome Measures**

tz3	DSHS will be 90% compliant with HIPAA Rule 1	90%	98%
tz3	DSHS will be 90% compliant with HIPAA Rule 1	90%	98%
tz3	DSHS will be 90% compliant with HIPAA Rule 1	90%	98%
No measures submitted for package			
No measures submitted for package			
No measures submitted for package			
No measures submitted for package			
No measures submitted for package			
No measures submitted for package			
No measures submitted for package			

***Reason for change:***

**Program(s): 010 020 030 040 050 060 070 080 110 150**

Compliance is a federal mandate. Inability to comply with this act will create substantial barriers in conducting the day-to-day business functions with medical providers statewide.

***Impact on clients and services:***

**Program(s): 010 020 030 040 050 060 070 080 110 150**

The impact of change on clients and services is significant:

Over 920,000 Washington residents rely on state and federal medical assistance programs administered by DSHS.

Over 45,000 medical providers serve DSHS clients.

Over 46 million medical claims are processed each biennium by DSHS.

DSHS spends over \$6 billion dollars per biennium on medical services.

The department must be able to accept and process HIPAA compliant electronic transactions by October 16, 2003. Failure to do so could interrupt the delivery of medical services to clients throughout Washington.

***Impact on other state programs:***

**Program(s): 010 020 030 040 050 060 070 080 110 150**

This HIPAA rule will affect all administrations across the department. Likewise, many health care organizations that interface with these organizations (such as the Regional Support Networks, Local Health Districts, County Health Departments, Indian Tribes, Area Agencies on Aging, and similar organizations) will be affected also.

The affected organizations must alter their business models, operational procedures, and information systems to operate in a synchronized HIPAA compliant fashion, wherever standard electronic transactions occur.

***Relationship to capital budget:***

**Program(s): 010 020 030 040 050 060 070 080 110 150**

Not applicable

***Required changes to existing RCW, WAC, contract, or plan:***

**Program(s): 010 020 030 040 050 060 070 080 110 150**

At this time it appears that no legislative changes to the Revised Code of Washington will be needed to implement HIPAA. However, some Washington Administrative Codes (WACs) may require modifications; explicit WAC changes have not yet been identified. All provider contracts, agreements, and billing instructions will need to be revised to address HIPAA requirements. Contract changes will be accomplished through addenda, amendments, or renegotiation. In some situations, new contracts will be negotiated congruent with current agency contracting cycles.

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***Alternatives explored by agency:***

**Program(s): 010   020   030   040   050   060   070   080   110   150**

DSHS is taking a minimalist approach to HIPAA compliance using an enterprise model. That means making as few changes as possible in both our information systems and business models to achieve HIPAA compliance across the enterprise.

Current information systems will be modified (in lieu of replacement) to leverage limited resources, control scope, and manage risk. The development of new applications will occur on a very limited basis. Whenever possible, DSHS intends to use existing state resources and secure contractors only if capacity or expertise is not available. The department is focused on limiting risk from a technology standpoint by using technology, hardware, tools, and approaches that are proven at the industry level. Given the constraints of the budget, this is the only viable approach for the department.

***Budget impacts in future biennia:***

**Program(s): 010   020   030   040   050   060   070   080   110   150**

HIPAA will impact current and future biennial expenditures for DSHS. Routine changes to this federal rule are anticipated. Initial and ongoing compliance will require changes in both DSHS business practices and information systems. The frequency and extent to which changes occur at the federal level will impact costs in future biennia.

The department is currently exploring a strategy to secure federal financial participation for the operation of systems that interface with or are related to the Medicaid Management Information System (MMIS), Washington State's designated Medicaid claims processing system. If the department is successful, more federal funding could be secured and less state funds would be needed. Otherwise, state funds will be the only source of revenue to secure initial and long-term HIPAA compliance outside the Medical Assistance Administration, which has responsibility for operation of the MMIS.

***Distinction between one-time and ongoing costs:***

**Program(s): 010   020   030   040   050   060   070   080   110   150**

One-time costs include expenses associated with significant changes to business processes and information systems to realign with HIPAA requirements and achieve compliance by the federal deadline. Ongoing costs include recurring expenditures associated with continued compliance after the federal deadline.

***Effects of non-funding:***

**Program(s): 010   020   030   040   050   060   070   080   110   150**

If funding is not provided, the department may be incapable of meeting its obligation as a health plan, including timely payment to health care providers. If providers are not paid in a timely fashion, over 920,000 clients statewide may not receive timely medical services. Thousands of businesses across the state would be impacted since DSHS spends over \$6 billion dollars per biennium on medical services. Failure to comply jeopardizes Medicaid funding and potentially carries financial sanctions on a per-transaction basis.

***Expenditure Calculations and Assumptions:***

**Program(s): 010   020   030   040   050   060   070   080   110   150**

Assumptions for this decision package include the following:

The budget estimates represented in this request are based on point-in-time information from the federal Department of Health and Human Services (DHHS) concerning the rule. This rule may be amended and transaction code sets will be regularly updated at the federal level. Any rule changes and code set updates will require additional analysis to determine impacts and related business and system changes.

The DHHS plans to release a security rule in Fiscal Year 2003. The security rule will require additional analysis in the context of work that has already been completed.

Estimates for personnel, contracts, hardware/software, testing, training, and publications are based on current market conditions/prices.

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Future staffing levels in DSHS are unknown. Our approach to remediation is based on current staffing levels in each program area.

The planned approach is structured to meet federal deadlines. If adequate funding is not secured, meeting deadlines may not be feasible.

Each administration within DSHS has completed an in-depth assessment to pin-point HIPAA impacts, and solutions were developed using an enterprise approach.

See attachment - AW PL WB HIPAA Standard Transactions.xls

<b><u>Object Detail</u></b>		<b><u>FY 1</u></b>	<b><u>FY 2</u></b>	<b><u>Total</u></b>
<b>Overall Funding</b>				
A	Salaries And Wages	1,421,000	1,182,000	2,603,000
B	Employee Benefits	370,000	304,000	674,000
C	Personal Service Contracts	1,843,000	1,044,000	2,887,000
E	Goods And Services	477,000	388,000	865,000
G	Travel	79,000	49,000	128,000
J	Capital Outlays	174,000	24,000	198,000
<b>Total Objects</b>		<b>4,364,000</b>	<b>2,991,000</b>	<b>7,355,000</b>

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**DSHS Source Code Detail**

Overall Funding		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
<b>Fund 001-1, General Fund - Basic Account-State</b>				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	1,834,000	1,231,000	3,065,000
GFS2	General Fund State TANF Moe	54,000	15,000	69,000
<i>Total for Fund 001-1</i>		<b>1,888,000</b>	<b>1,246,000</b>	<b>3,134,000</b>
<b>Fund 001-2, General Fund - Basic Account-Federal</b>				
<u>Sources</u>	<u>Title</u>			
566B	Refugee & Entrant Assist-St Admin'd Prog(D)(100%)	5,000	1,000	6,000
E61L	Food Stamp Program (50%)	63,000	18,000	81,000
<i>Total for Fund 001-2</i>		<b>68,000</b>	<b>19,000</b>	<b>87,000</b>
<b>Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi</b>				
<u>Sources</u>	<u>Title</u>			
658L	Title IV-E-Foster Care (50%)	397,000	163,000	560,000
<i>Total for Fund 001-A</i>		<b>397,000</b>	<b>163,000</b>	<b>560,000</b>
<b>Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa</b>				
<u>Sources</u>	<u>Title</u>			
19TA	Title XIX Assistance (FMAP)	195,000	80,000	275,000
19UL	Title XIX Admin (50%)	1,739,000	1,461,000	3,200,000
<i>Total for Fund 001-C</i>		<b>1,934,000</b>	<b>1,541,000</b>	<b>3,475,000</b>
<b>Fund 001-D, General Fund - Basic Account-TANF (DSHS)</b>				
<u>Sources</u>	<u>Title</u>			
558B	Temp Assist for Needy Families (TANF) (100%)	40,000	11,000	51,000
<i>Total for Fund 001-D</i>		<b>40,000</b>	<b>11,000</b>	<b>51,000</b>
<b>Fund 001-E, General Fund - Basic Account-CCDF (DSHS)</b>				
<u>Sources</u>	<u>Title</u>			
575B	CCDF (Discretionary) (100%)	3,000	1,000	4,000
596A	CCDF Match (FMAP)	34,000	10,000	44,000
<i>Total for Fund 001-E</i>		<b>37,000</b>	<b>11,000</b>	<b>48,000</b>
<b>Total Overall Funding</b>		<b>4,364,000</b>	<b>2,991,000</b>	<b>7,355,000</b>

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**Funding Totals by Program**

Dollars in Thousands

<b><u>Program</u></b>	<b>FTE's</b>		<b>GF-State</b>		<b>Total Funds</b>	
	<b><u>FY 1</u></b>	<b><u>FY 2</u></b>	<b><u>FY 1</u></b>	<b><u>FY 2</u></b>	<b><u>FY 1</u></b>	<b><u>FY 2</u></b>
010 Children's Administration	5.0	5.0	265	109	857	352
020 Juvenile Rehabilitatn Admin	1.3	8.0	98	66	98	66
030 Mental Health	1.5	1.0	76	51	133	90
040 Div of Developmntl Disab	0.5	0.5	44	44	76	76
050 Long Term Care Services	2.5	2.5	217	114	423	223
060 Economic Services Admin	2.4	0.4	219	61	447	126
070 Div of Alc/Substnce Abuse	0.0	0.0	14	14	22	22
080 Medical Assistance	3.0	3.0	271	271	1,198	1,198
110 Admin & Supporting Svcs	10.7	3.0	684	516	1,110	838
150 Info SYS Svcs Div	0.0	0.0	0	0	0	0
<b>Grand Total:</b>	<b>26.9</b>	<b>23.4</b>	<b>1,888</b>	<b>1,246</b>	<b>4,364</b>	<b>2,991</b>